

Fact Sheet

Module 6: Exemptions

There are two types of exemptions:

- personal exemptions for taxpayer and spouse
- dependency exemptions for dependents

Each exemption reduces the income that is subject to tax by the exemption amount. For 2007, the exemption amount is \$3,400.

Taxpayers cannot claim an exemption for a person who can be claimed as a dependent on another tax return.

Overview of the Rules for Claiming an Exemption for a Dependent

- You cannot claim any dependents if you, or your spouse if filing jointly, could be claimed as a dependent by another taxpayer.
- You cannot claim a married person who files a joint return as a dependent unless that joint return is only a claim for refund and there would be no tax liability for either spouse on separate returns.
- You cannot claim a person as a dependent unless that person is a U.S. citizen or resident, or a resident of Canada or Mexico, for some part of the year.¹
- You cannot claim a person as a dependent unless that person is your **qualifying child** or **qualifying relative**.

Tests To Be a Qualifying Child	Tests To Be a Qualifying Relative
<ol style="list-style-type: none">1. The child must be your son, daughter, stepchild, eligible foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them.2. The child must be (a) under age 19 at the end of the year, (b) under age 24 at the end of the year and a full-time student, or (c) any age if permanently and totally disabled.3. The child must have lived with you for more than half of the year.²4. The child must not have provided more than half of his or her own support for the year.5. If the child meets the rules to be a qualifying child of more than one person, you must be the person entitled to claim the child as a qualifying child.	<ol style="list-style-type: none">1. The person cannot be your qualifying child or the qualifying child of anyone else.2. The person either (a) must be related to you in one of the ways listed under <i>Relatives who do not have to live with you</i>, or (b) must live with you all year as a member of your household.²3. The person's gross income for the year must be less than \$3,400.4. You must provide more than half of the person's total support for the year.⁴

¹There is an exception for certain adopted children.

²There are exceptions for temporary absences, children who were born or died during the year, children of divorced or separated parents, and kidnapped children.

³There is an exception if the person is disabled and has income from a sheltered workshop.

⁴There is an exception for multiple support agreements.